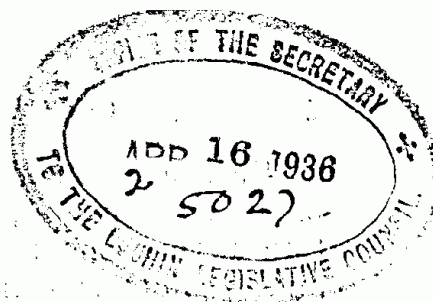




COCHIN LEGISLATIVE COUNCIL PROCEEDINGS.

(OFFICIAL REPORT OF THE FIRST LEGISLATIVE SESSION OF THE
FOURTH COCHIN LEGISLATIVE COUNCIL.)

Vol. II—II 11.

COCHIN LEGISLATIVE COUNCIL

Monday,

9th December 1935.

23rd Vrischikam, 1111.

The Council met in the Council Hall, Ernakulam, at Eleven of the Clock with Sir Shanmukham Chetty, K. C. I. E., in the Chair.

Messrs. C. P. Lonappan and L. T. Mathew were absent.

MEMBER SWORN.

Dr. A. R. Menon made the affirmation of allegiance to His Highness the Maharaja and His Majesty the King Emperor in the manner prescribed.

The Cochin Harbour Settlement.

Mr. President.—HONOURABLE MEMBERS :

In my opening speech at the last budget session of the Council on the 29th July 1935 I gave a comprehensive review of the main features relating to the development of the Cochin Harbour. In concluding that review I observed that the only outstanding question that remained was the question of the administration of the port area and that a scheme was prepared by Sir Tej Bahadur Sapru which obviated the necessity for any cession of jurisdiction by the Government of Cochin and at the same time provided for the joint administration of the port area

by the Governments territorially interested in the development of the Harbour. I then expressed the hope that the consideration of this scheme at the next conference would lead to definite and satisfactory conclusions and that the contemplated visit of the Hon'ble Sir Muhammad Zafrullakhan would enable him and the Government of India to appreciate the standpoint of the Cochin Government. As anticipated by me the conference was held at Delhi and a satisfactory settlement has been arrived at, though the lines of the settlement are very different from those contemplated when I made my last speech in the council. On the 23rd November 1935 we issued a press communique announcing the fact of the settlement. It was not possible within the restricted scope of a press communique to give a full explanation of the terms of settlement and it was, therefore, indicated in that communique that an explanation with all details will be given by me in the opening speech of the Legislative Council to be held on the 9th December 1935. In accordance with this promise I propose to give to the council to-day as full an account as possible of the terms of the settlement.

2. In order to fully appreciate the settlement arrived at at the last conference, Hon'ble Members will have to recall to their minds the salient features relating to the development of the Harbour and the stage that had been reached in the course of negotiations amongst the parties prior to the last conference. I shall, therefore, briefly review the main features before I pass on to explain the present settlement.

The Four Stages.

3. The development of the Harbour was divided into four stages :—

- (a) protective works and investigation ;
- (b) cutting a channel across the bar at the entrance of the Harbour ;
- (c) dredging and reclamation inside the backwaters to enable ocean-going steamers regularly to enter the bar and discharge at moorings inside the backwater ; and
- (d) all further works that may be necessary for the conversion of the Harbour into a really important port.

4. The third stage of the development of the Harbour was completed in 1931 and the Government of India had ruled that

from the 1st of April 1931 it became the regular practice for ocean-going steamers to enter the port. The division of the net customs revenue of the port into three equal shares between the Government of India and the Governments of Cochin and Travancore came into operation from that date. According to our interpretation of the agreement relating to the development of the Harbour the fourth stage work should have commenced immediately after that date, as the agreement does not contemplate any break between any of the stages but regards the whole project as one continuous work. The agreement describes the fourth stage works in general terms as "all further works that may be necessary for the conversion of the port into a really important port." The main items of work contemplated in the fourth stage are:—

- (1) the construction of a combined road and rail bridge connecting the mainland of Ernakulam with Venduruthi Island and another road bridge connecting the Venduruthi Reclamation with Mattancheri;
- (2) the extension of the railway line across the backwater into the reclamation area; and
- (3) the provision of wharves, jetties, ware-houses and other mechanical equipment for dealing with cargo and traffic.

5. Though the ocean-going steamers have been regularly entering the Harbour from the beginning of 1931, it should be observed that the Harbour area is cut off from the mainland by the backwater. The railway line now stops on the mainland on the Ernakulam side and the cargo has to be carried across the backwater to be put on rails or steamers. In a really important port the railway line must be carried right into the port area so that the cargo may be placed on the steamers directly from waggons and vice versa. The extension of the railway line to the reclamation area is therefore an indispensable work for making the port a really important one. It would also be observed that in regard to those steamers that enter the Harbour the cargo has to be taken ashore in country boats and vice versa. In a really important port the steamers come alongside the wharves and the cargo is landed directly from the steamer on the wharves by means of mechanical contrivances like cranes. There should also be in an important port convenient ware-houses and godowns for storing the cargo until they are cleared by the merchants. It would thus be seen that until all the works enumerated above are completed the Port of Cochin cannot be

considered to be a really important port. Under the terms of the agreement therefore, in order to convert the Harbour into a really important port, the parties to the agreement are bound to take the necessary steps for proceeding with these works.

The holding up of the Fourth Stage.

6. Soon after the completion of the third stage it was pointed out that the conversion of the Shoranur-Ernakulam Railway into a broad gauge one was a necessary condition precedent for the successful completion of the fourth stage works. The Cochin Government on its part immediately undertook this work and the railway has been converted into broad gauge. The capital expenditure anticipated for the completion of the fourth stage works has been estimated at Rs. 93 lakhs. This has to be found in equal shares by the Government of Madras and the Governments of Cochin and Travancore. The Governments of Cochin and Travancore have been ready to contribute their share. The estimates and designs for the works had been approved by an Expert Committee of Engineers in London. In spite of the stage being thus set for the starting of the works the Government of India withheld their sanction and two objections were raised.

Division of Customs Revenue.

7. It was contended on behalf of the Government of India that the increase in the customs revenue of the Port of Cochin was largely due to diversion of trade from British Indian ports and that therefore the Government of India were not prepared to proceed with the further stages of the work unless there was a revision relating to the arrangements regarding the division of the customs revenue. The contention of the Government of India was that when the development of the Cochin Harbour was undertaken a great expansion in the volume of world-trade was anticipated and that the trade resulting out of the development of this Harbour would be new trade and not merely a diversion of trade. In the light of the experience since 1930 it has now become apparent that there is no possibility of any very considerable expansion in the volume of trade as a whole. The consequences of expanding the trade of Cochin would naturally be a diversion of trade from other British Indian ports. On these grounds the Government of India felt that a re-allocation of the customs revenue was of vital consequence to them especially in view of the future constitutional changes and the general scheme of federal finance under which customs would be the most important source of Federal Revenue.

8. The claim of the Government of India for a revision of the terms regarding the division of the customs revenue implied a re-opening of the terms of the agreement concluded in 1925. In our opinion the terms of that agreement contemplated the starting of the fourth stage works as soon as the third stage works were completed. According to the interpretation placed upon that agreement by the Government of India it was contended that it was open to the parties to stipulate new terms before giving their sanction for the fourth stage works. That portion of the agreement relating to this was considered to be vague and indefinite. The Cochin Government had, therefore, to make up their mind whether they would agree to a re-opening of the question. Two courses were open to them. They might either have insisted on the legal right secured to them under the agreement or they might, without prejudice to their rights, explore avenues for a satisfactory settlement of the difficulties raised. It was thought by His Highness' Government at that time that the first course would involve immense delay and heavy expenditure with an inherent risk of doubtful decision. It was, therefore, considered to be more prudent to adopt the second course, under the circumstances; and accordingly at the next conference held in Delhi in November 1934 a tentative settlement was made regarding the allocation of the customs revenue. In my last speech I have given a gist of these conclusions, and to refresh the memories of Hon'ble Members I shall state them again briefly.

9. Under the new revision, Cochin is to receive 1/3 of the customs revenue up to a maximum of Rs. 63 lakhs and 10 per cent of all excess over Rs. 63 lakhs. The Government of Travancore is to receive 1/3 of the customs revenue up to a maximum of Rs. 49½ lakhs and 6 per cent of all excess over Rs. 63 lakhs. The Government of India is to get the balance. In arriving at this tentative conclusion it was made clear on behalf of Cochin that the arrangement was subject to the condition that a satisfactory solution of the question of the administration of the port area would also be arrived at between the parties, and that in the absence of any such solution this tentative agreement will have no validity. I shall now proceed to explain the difficulties that had cropped up on the question of jurisdiction of the port area.

Question of Jurisdiction.

10. I referred to two difficulties that had cropped up in connection with the sanction for the fourth stage works: the

first was in connection with the revision of the allocation of the customs revenue which I have just explained; the other was the difficulty arising out of a divided jurisdiction within the port area. The area covered by the Harbour lies partly in Cochin territory and partly in British Indian territory. So long as each Government retained its full jurisdiction over its portion of the Harbour area there would inevitably be divided jurisdiction over the Harbour area taken as a whole. It was contended that such a state of affairs was not favourable to the best interests of the development of the port. In Civil and Criminal cases arising within the port area doubts would frequently rise as to which part of the Harbour area was the scene of the offence or the place where the cause of action arose. A party who was sued for in the Cochin Courts or in the British Indian Courts for a cause of action arising in the Harbour area might contend that the court trying the case had no jurisdiction. It was thought that such uncertainties would seriously hamper the development of trade. It was also doubted whether the trading and commercial communities will have confidence in the standard of judicial administration maintained by the Cochin State as the Chief Court in Cochin would be the final authority in all matters arising within the State portion of the port area. A further difficulty was also pointed out with regard to admiralty cases. So long as the port of Cochin was owned jointly by the two Governments neither Government could take steps against a ship which commits an offence and clears from the port before it is arrested. If the port were a British port such a ship could be arrested when it calls at any British port in the world. For all these reasons it was urged that the Cochin Government should surrender to the British Indian Government its jurisdiction over that part of the Harbour area, which lies within Cochin territory. The cession of jurisdiction about which so much was heard during the last few years was really a demand for the surrender, on the part of the Cochin Government, of the jurisdiction of the courts of Cochin over cases arising on the Cochin side of the Harbour. I find from the newspaper discussions that there is a great deal of confusion as to what was intended by a cession of jurisdiction. I hope that what I have said above has made clear what the implications of this surrender are.

11. His Highness the Maharaja took a firm stand that under no circumstances would he agree to a cession of jurisdiction. The representatives of the Cochin Government at the conferences were, therefore, instructed not to agree to any

scheme which involved a surrender of jurisdiction by His Highness over any part of His Highness' territory. Accordingly in the conference held in November 1934 the following proposals were considered:—

- (a) Trial will be given to any scheme for administration not involving cession of jurisdiction by Cochin which can be agreed upon by the parties concerned.
- (b) In the event of any of the parties concerned representing that a break-down of the scheme has occurred or is imminent or that it has resulted in a state of affairs gravely prejudicial to the interests or development of the port, such party shall discuss the position with the other party with a view to arriving at an agreed solution and if an agreement cannot then be reached either on the subject-matter of the representation or on the appointment of a referee within a period of time which, in the opinion of the Government of India, is reasonable, the representation together with the views of the other parties shall be submitted by the Government of India to the Secretary of State.
- (c) Should such referee, if one is appointed, or the Secretary of State, in the case may be, decide that a break-down has occurred or is imminent or that the scheme of administration has resulted in a state of affairs which is gravely prejudicial to the interests or the development of the port, the Cochin Darbar shall raise no further objection to a revised scheme involving cession of jurisdiction by Cochin.

The Sapru Scheme.

12. The first two proposals were accepted provisionally by all, but the representatives of Cochin took exception to the last proposal on the ground that their instructions did not permit them to contemplate cession of jurisdiction in any eventuality whatsoever. Our representatives held that it was possible to devise a scheme of administration which should be put into operation and which would render unnecessary any undertaking on the part of the Cochin Government to cede jurisdiction at any time. It was finally agreed in the conference that

the representatives of Cochin would formulate such a scheme and communicate it to the parties concerned. In accordance with this undertaking our Counsel, the Right Hon'ble Sir Tej Bahadur Sapru, prepared a scheme to meet these difficulties. It is this scheme that is generally known as the "Sapru Scheme". The essence of this scheme was a treaty between the Government of India representing the Crown and the Cochin Darbar providing among other things for the creation of a body called the "Governing Body" which shall consist of three members, one of whom shall be the Agent to the Governor-General, Madras States, another of whom shall be an officer appointed by the Cochin Government and the third an officer appointed by the Madras Government. The treaty contemplated the delegation to the Governing Body by the respective Governments of their various powers under the different Acts relating to the administration of the port which may be in force within their respective territories. The control over the Police in the Harbour area was to be transferred to the Governing Body. The treaty also contemplated the creation of a special tribunal for the area consisting of three Judges (1) the Agent to the Governor-General, Madras States, (2) a Judge nominated by the Madras Government and (3) a Judge of the Cochin State possessing an adequate knowledge of admiralty and commercial laws. It was intended that this tribunal shall be given admiralty jurisdiction in civil and criminal matters such as the Madras High Court possesses under clauses 32 and 33 of the Letters Patent for cases arising within the Cochin portion of the Harbour with a direct appeal to the Privy Council strictly limited to the class of cases which falls within the jurisdiction of the special tribunal. The treaty was also intended to provide that in regard to matters of a maritime character and all other matters covered by other commercial laws the laws in force in Cochin shall be similar to the laws in British India. The ordinary courts of either area would continue to function in all cases civil and criminal with recourse to the respective appellate courts therefrom except in matters which fall strictly within the exclusive jurisdiction of the special tribunal to be constituted in accordance with the treaty. It will be seen that this scheme was intended to meet the difficulty pointed out with regard to admiralty jurisdiction only. The Cochin Chief Court has no admiralty jurisdiction and even if we invested it with such jurisdiction it will be impossible to execute its warrants outside its territorial limits in any British Port against any wrong doing ship which had committed a tort in Cochin waters. The Sapru Scheme provided for meeting this difficulty by the creation of the special tribunal.

13. In accordance with the understanding arrived at at the conference of November 1934 the scheme was sent to the parties concerned. The Madras Government after an examination of the scheme expressed their inability to accept it as a satisfactory solution of the difficulties pointed out by them. In their opinion, excepting the proposal to vest admiralty jurisdiction in a special *ad hoc* tribunal the scheme put forward by Sir Tej Bahadur Sapru still continued the system of administration of the port by parallel legislation. Amongst the various objections to the scheme it was pointed out that the procedure contemplated would be complicated and the delay involved in obtaining sanction as a result of the existence of several authorities would be detrimental to the smooth working of the port administration, and that such a state of affairs would not create confidence in the mercantile community. They also pointed out the probability of conflicting judgments by two sets of courts in similar cases, resulting in confusion and delay. In their opinion, even assuming that the scheme could be given a trial, it would be impossible to give effect to it for some years to come, since the scheme involved legislation by the Imperial Parliament, legislation by the Indian legislature, legislation by the Provincial legislature, amendments of the Letters Patent of the Madras High Court and legislation by the Cochin Government. For these reasons the Madras Government were not prepared to accept the scheme and start the fourth stage works. The whole position relating to the further development of the Harbour had thus resulted in an impasse. The position was complicated by the fact that the Harbour Authority had found it impossible to balance their budget for the year 1935-1936. They had given notice to the Cochin Government that they were unable to pay the annual interest on the cost of the reclamation area which is now used for Harbour purposes. The Harbour revenues could not meet the heavy burden and with the scanty facilities for handling traffic now offered any increase in the landing and shipping fees was found to be neither justifiable nor practicable. The fact plainly emerged that Cochin as a third stage port would not be able to handle sufficient traffic to meet the maintenance and bear the loan charges with the result that the Harbour Authority was practically becoming bankrupt.

A new Solution.

14. While matters reached the difficult stage I invited the Commerce Member of the Government of India, the Hon'ble Sir Muhammad Zafrullakhan, to pay a visit to Cochin so that

he might be able to appreciate from personal inspection the point of view of the Cochin Government. As Hon'ble Members are aware, Sir Muhammad paid us a visit on the 3rd of August. He inspected the Harbour works and I availed myself of that opportunity to have a personal and informal discussion with him. In the face of the attitude taken up by the Madras Government there was only one course left open, viz., the Government of India to assume control over the port by declaring it a major port and take over the financial liability of the Madras Government for further works. Under the Devolution Rules all minor ports are under the administration of Local Governments and major ports are under the Government of India. In the Agreement of 1925 it was stipulated that, if the value of the trade of the Cochin Port reached Rs. 15 crores per year for a consecutive period of three years it would then be declared a major port. The value of the trade of the port has not yet reached this figure and it, therefore, continues to be under the control of the Madras Government as a minor port. The Government of India felt some difficulty in assuming control and thereby assuming financial liability for further capital expenditure in the unsettled state of affairs relating to the question of jurisdiction. The Cochin Government had all along maintained that the existence of a divided jurisdiction for the Harbour area would not detrimentally affect the interests of the port. Personally I share this view entertained by the Government of Cochin and I have not the slightest doubt in my mind that in spite of dual control the trade of the port would expand. I therefore offered that the Government of Cochin would be prepared to consider the question of taking over the liability of the Government of Madras for the fourth stage works in case we were not asked to surrender jurisdiction in any manner. This offer opened the possibility of a new line of approach and it was agreed that it might be explored further. In September I had an opportunity of visiting Simla in connection with the meeting of the Governing Body of the Imperial Council of Agricultural Research. I availed myself of that opportunity to carry on informal discussions along these lines. As a result of these discussions it was found that a solution could be arrived at on this new basis. Accordingly a conference of all the parties was convened at New Delhi on the 11th of November.

Financial liabilities of the parties.

15. Before I proceed to explain the terms of the new settlement arrived at at the last conference I must indicate briefly the extent of the financial liabilities of the various parties. The

first two stages of the work had cost about Rs. 11,30,000 which was shared equally between the Governments of Madras, Cochin and Travancore. The expenditure on the third stage works was met partly by the Harbour Authority out of its revenue and partly from loans advanced by the Madras Government. The amount due to the Madras Government under these advances is now about Rs. 29 lakhs. The fourth stage works are estimated to cost about Rs. 93 lakhs. This amount is to be lent to the Harbour Authority in three equal proportions by the three Governments. This advance to the Port Authority for the fourth stage works is to remain free of interest for the first ten years and thereafter the Port Authority is bound to repay this amount to the parties in 30 equated annual instalments with interest at 5 per cent per annum. The financial liability of the Madras Government, therefore, is a debt of Rs. 29 lakhs due by the Harbour Authority and the undertaking to lend Rs. 31 lakhs more towards the fourth stage of the works. In addition to this the Government of Madras have a claim for an amount of Rs. 3 lakhs which they had spent on the second stage works.

Terms of the new settlement.

16. Having stated the extent of the financial liability of the respective parties I may now proceed to state the terms of the new arrangements that have been agreed to in the last conference. It was agreed that:—

- (a) The Government of India will repay to the Madras Government the amount of Rs. 3 lakhs being the outstanding portion of the loan subscribed by the Madras Government towards the second stage works.
- (b) The Government of India will advance to the Harbour Authority a sum of Rs. 29 lakhs being the balance of the loan outstanding on account of the advances made by the Madras Government to finance the third stage works. This sum will be used by the Harbour Authority to pay off the Madras Government. The advance to the Harbour Authority will bear 3½ per cent interest repayable in equated instalments in 30 years and will be the first charge on the revenue of the Harbour Authority.
- (c) The liability of the Madras Government under the 1925 Agreement to advance approximately Rs. 31 lakhs to finance the fourth stage works will be

assumed by the Cochin Government. This sum will be advanced by the Government of India to the Cochin Government and will bear interest at $3\frac{1}{2}$ per cent per annum repayable in equated instalments in 50 years.

(d) The new customs agreement reached at the conference in November 1934 will come into operation from the date when the fourth stage is sanctioned.

(e) Cochin will be declared a major port from the date when the fourth stage is sanctioned and will come under the direct administration of the Government of India.

17. These are the new arrangements relating to the capital expenditure on the fourth stage. So far as the Cochin Government is concerned it will be observed that the material alteration is the undertaking by the Cochin Government to advance Rs. 31 lakhs which the Madras Government was bound to contribute. The Government of India will lend this amount to the Cochin Government.

18. On the question of judicial administration of the port, the Cochin Government maintains the position that it had all along taken without ceding its jurisdiction. The Courts of Cochin will, therefore, continue to administer justice in all cases arising in the Harbour area which is within the Cochin territory. It was recognised by all the parties that in the interests of the development of the trade it was desirable to have the laws administered on both sides on a uniform basis. To bring about this result we have given the following undertaking on behalf of the Cochin Government:—

(a) That in regard to all matters of a maritime character and other matters covered by various commercial laws, the laws in force in Cochin shall be similar to the laws in British India.

(b) That Cochin shall agree to pass laws to the same effect as the Indian Merchant Shipping Act of 1923.

(c) That in regard to laws which may have an application to the Harbour, Cochin shall agree to assimilate its laws to those in force in British India so as to secure uniform administration of the laws on both sides of the Harbour.

(d) That Cochin shall, in particular, enact laws identical *mutatis mutandis* with the following British Indian enactments:

- (1) The Negotiable Instruments Act;
 - (2) The Specific Relief Act;
 - (3) The Provincial Insolvency Act;
 - (4) The Code of Civil Procedure;
 - (5) The Indian Limitation Act;
 - (6) The Transfer of Property Act;
 - (7) The Carriers' Act;
 - (8) The Indian Carriage Goods by Sea Act;
 - (9) The Indian Easement Act;
 - (10) The Indian Partnership Act; and
 - (11) The Indian Sale of Goods Act.
- (e) That in regard to the Criminal Laws in force in Cochin, Cochin shall pass a Code of Criminal Procedure on the lines of the British Indian Code and also agree to enact the following laws so as to assimilate them to the British Indian model—viz.,
- (1) The Whipping Act,
 - (2) Laws relating to Army, Navy and Air Force so far as they have any relation to the Harbour and
 - (3) Laws relating to obscene literature and other similar matters.

19. We admitted that as a corollary to this undertaking it would be obligatory upon Cochin to carry out amendments in the above laws in conformity with the amendments carried out in British India so that these laws having once been put into conformity with British Indian law should also be kept in conformity with them. In this connection it may be noted that we have already constituted a Law Commission to bring our Laws in conformity with British Indian enactments. We gave the further assurance that we would undertake that the standard of qualification and status of judicial officers exercising jurisdiction over the Harbour area lying within the Cochin State should, as far as possible, approximate to the standards obtaining in British India in respect of the corresponding class of judicial officers. In regard to ordinary criminal jurisdiction, we have suggested that the best way of meeting any difficulties which might arise would be the conclusion of a treaty between the Government of India and the Cochin Government on the subject of the pursuit, arrest, and extradition of fugitive offen-

ders. There have been wild speculations in some of the papers in the State that we have undertaken to borrow the services of British officers and to set up a costly High Court and to allow appeals to the Privy Council from the decisions of the Cochin Chief Court. Let me make it perfectly clear that we have not agreed to any such conditions. I hope that this categorical statement will set at rest all such wild conjectures.

The Port Trust.

20. Having agreed on the arrangements for the further capital expenditure and the judicial administration of the port, it remained for the parties to decide the question of the executive administration of the Harbour area. It was agreed that the basis of the Harbour administration should be a Port Trust Act passed by the Indian Legislature and an identical Act *mutatis mutandis* passed by the Cochin Government. These Acts would provide for the setting up of a Port Trust invested with the necessary authority for the administration of the Harbour and whatever the detailed composition of the Trust might be, the personnel of the Trust set up under these Acts should be identical. In cases where under the provisions of the two identical Acts the Port Trust is required to obtain the sanction of Government, the Trust would be under an obligation to obtain the sanction of both the Government of India and the Cochin Government. In the event of a difference of opinion between the two Governments a decision would be given by the Governor-General in his discretion which would be binding upon the two Governments and the Harbour Authority; provided that in any case in which the Federal Court has jurisdiction under the Government of India Act, 1935, nothing in the agreement would preclude either party from seeking a decision from the Federal Court in lieu of from the Governor-General.

21. The constitution of the Port Trust would be as follows:—

One Chairman appointed by the Government of India in consultation with the Cochin and Travancore Governments,

One member elected by the Chamber of Commerce, British Cochin,

One member elected by the Indian Chamber of Commerce, Mattancherri,

One member elected by the Municipality of British Cochin,
One member elected by the Municipalities of Mattancherri and Ernakulam acting together,

Two members nominated by the Government of India,
 Two members nominated by the Cochin Government, and
 Two members nominated by the Government of Travancore.

As soon as the formalities relating to the agreement have been gone through, the Government of India will give its sanction to the starting of the fourth stage works and the new customs agreement reached at the conference in November 1934 will come into operation.

An analysis of the terms.

22. I have given, Hon'ble Members, a complete picture of the agreement arrived at. I shall now review very briefly the salient points that emerge from the new agreement. In the first instance, the question of jurisdiction has been set at rest completely. His Highness the Maharaja and the people of Cochin have naturally been very perturbed over this vexed question. Though some critics have described this attitude as obstinate and based upon mere sentiment I have no doubt in my mind that the stand taken up by the Cochin Government was the only one possible. Considering the geographical position of the Harbour area which lies between the Capital of the State and the important town of Mattancherri it was unthinkable that the jurisdiction over such a vital part of the State could be surrendered. Some confusion has been caused in the minds of the public as a result of a press message that the Port Trust would be vested with the powers of a Local Government. There was no ideal any time to vest the Port Trust with any such powers. In fact even the phrase 'Local Government' in connection with the Port Trust was not used at any stage of the discussions at the conference. As was explained in our press communiqué of the 23rd November the Cochin Government retains its full jurisdiction and sovereignty over the entire area which is within Cochin territory. In other words, we retain the same jurisdiction over our side of the Harbour as the Government of India have over the British Indian side of the Harbour. We cannot have anything more and we have not agreed to anything less.

23. Let us now examine the implications of the financial liability that we have undertaken in this new agreement. We were bound to contribute Rs. 31 lakhs as our share for the capital expenditure on the fourth stage works. We have now undertaken to contribute Rs. 62 lakhs towards this item. What

has to be remembered in this connection is that this liability for Rs. 62 lakhs is not an expenditure to be incurred by the Cochin Government but is only a loan to the Port Authority which is to be repaid. We propose to utilise Rs. 31 lakhs of our cash reserves for this purpose and the Government of India have agreed to lend us another Rs. 31 lakhs on the terms mentioned above. This loan to the Port Trust is to be free of interest for the first ten years and thereafter the Port Trust will repay us this amount in thirty equated annual instalments with interest at 5 per cent per annum while we would get this loan of Rs. 31 lakhs from the Government of India at $3\frac{1}{2}$ per cent per annum repayable in fifty years. The net result of this transaction may be a small loss which it was worth while to incur in order to safeguard our rights. Some critics might well ask whether we have not taken an undue risk in undertaking this responsibility. What after all is the risk that we have undertaken? It is only when the Port Trust becomes bankrupt that we would lose this money; in other words when the whole Harbour proves to be a failure we would have to shoulder this loss. But if the Harbour is to prove a failure we would be losing a much bigger amount namely Rs. 120 lakhs which we have already spent. In fact what is to be borne in mind is that without this arrangement the fourth stage works would not have been started and we would have been faced with a certain loss of the money that we have invested so far. It is not I think a bad business proposition to advance to a sound business concern a further Rs. 31 lakhs to safeguard Rs. 120 lakhs already spent. I have no apprehension in my mind however, that we have undertaken any risk worth mentioning. In fact, considered as a business proposition it is one which will stand the most critical examination.

24. Coming to the constitution of the Port Trust it should be observed that we have obtained a much better representation than what was agreed upon in the past. We have secured representation for our two important Municipalities which was not provided for in the last agreement. I have already explained the misconception about the powers to be vested in the Port Trust. The contemplated Port Trust of Cochin will be just like any Port Trust in the world shouldering the executive administration of the Port area. Its function will be to provide all the necessary facilities for handling traffic and for the convenience of passengers, for maintaining the channels in a proper condition, for effecting from time to time improvements in the port, and generally to look after the requirements and convenience of the commercial community. Its income will be de-

rived from the landing and shipping dues, the income from letting out ware-houses and go-downs and other sources accruing from the expansion of trade. To appreciate the relation between the Port Trust and the various parties we might imagine that the Cochin Harbour belongs to a company whose share-holders are the Governments of India, Cochin and Travancore, and the Port Trust will be analogous to the Board of Directors of the company nominated by and responsible to the share-holders.

Financial liability of Cochin Government.

25. Let me now sum up the financial liability which Cochin would have incurred when the fourth stage works are completed in accordance with the new agreement. We have contributed roughly Rs. 3.75 lakhs for the first and second stage works. We have paid Rs. 3,70,000 for the value of the reclamation area of 250 acres. We would have to contribute Rs. 62,00,000 as a loan to the Port Authority for the fourth stage works. We would thus have incurred at the conclusion of the fourth stage works a total expenditure of Rs. 103.25 lakhs. Out of this amount Rs. 3.75 lakhs will not be returned to us. It is, therefore, a clean expenditure on the Harbour that we have incurred. With regard to the Rs. 37,50,000 that we have paid for the reclamation area the Port Authority will guarantee us interest at the rate of 5 per cent per annum on this amount and will also pay us 2 per cent of the excess income received from the use of 150 acres of the reclamation grounds. We would thus be getting a very handsome return on the money that we have spent on the reclamation. With regard to the Rs. 62 lakhs which we would be advancing to the Port Authority for the construction of the fourth stage works this money will have to be paid to us in 30 years with interest at 5 per cent per annum. For the first ten years of this advance, however, we will not be getting an interest. In other words, our investment in the Harbour will consist of Rs. 3.75 lakhs in the shape of outright expenses; Rs. 7.5 lakhs in the shape of investment which will yield a handsome return and Rs. 62 lakhs in the shape of a loan which will be returned to us with interest at 5 per cent per annum. In addition to all this, we have incurred indirectly on the Harbour an expenditure of Rs. 80 lakhs being the cost of the conversion of the railway from metre to broad gauge. If the Harbour fulfils its expectation the money invested on the conversion of the railway is bound to be a source of great profit. I hope this analysis gives a clear

picture of our financial commitments over the construction of the Harbour.

Anticipated results.

26. In estimating the value of the new agreement concluded which makes it possible for the starting up of the fourth stage works we must bear in mind not merely the profit that will accrue to us when these works are completed but the loss that we would have had to shoulder if the works are abandoned. As I have indicated in an earlier part of my speech Cochin cannot remain as a third stage Harbour unless the additional traffic that is expected to come in after the fourth stage materialises. The income which the Port Authority now derives would be insufficient to maintain the Harbour and keep the channels in proper condition. The result would be that if the fourth stage works are not undertaken within a short time the channels and berths will proceed to silt up, with the result that vessels will no longer be able to use the inner Harbour and will be compelled to load and unload in the open roadstead outside the bar. Cochin would then cease, probably for ever, to be a port with any pretensions to importance. If this were to happen we would lose not merely the 41½ lakhs that we have already spent but we would also lose in effect the 80 lakhs spent on the Railway conversion. The new agreement prevents such a catastrophe.

27. With the completion of the fourth stage works the picture that we have to look at will be very different from the one that I have just painted. Let me now catalogue some of the advantages that will accrue to the Cochin Government when the fourth stage works are completed:—

- (a) The Harbour Authority will, after the starting of the fourth stage works, be bound to pay us interest on the cost of 150 acres of reclamation grounds which will otherwise lie idle. The interest on this alone will come to about Rs. 1,12,500 per year leaving alone for the present the extra income that will come from the surplus resulting from the use of the area.
- (b) With the increased traffic our share of the customs revenue will steadily mount up.
- (c) As a corollary to the increased traffic our railway income is bound to increase.

- (d) The 93 lakhs of rupees which will be spent during the next few years on the construction of the fourth stage works will give employment to thousands of poor families in the State and will be a welcome relief from the economic depression.

"The Queen of the Arabian Sea."

28. My foregoing analysis sums up the position relating to all aspects of the development of the Cochin Harbour. The advantages that I have enumerated above are in themselves of considerable magnitude. There is still one more advantage the value of which cannot be assessed in terms of money. With the development of the Harbour as a major port the trade and commerce of the State will so enormously increase that it will furnish openings for whatever commercial talent there is in the State. No Government has been able to solve the problem of unemployment amongst the educated classes by providing for them in public services. It is in the fields of commerce and industry alone that an outlet can be found for the thousands of young men to whom the problem of life has become a tragedy. Will the people of Cochin take advantage of this opening or will they sit idle and witness the spectacle of others from outside the State carrying away the fruits of commerce and trade? This is an aspect of the problem which to my mind is of vital significance to those who are interested in the advancement of the State of Cochin. I hope that the public will apply their mind to this and bestir themselves so that when this opportunity comes it may be availed of by the young men of the State. I may assure you that the Government on its part will be prepared to extend all facilities which will enable the people of the State to take the fullest advantage of this opportunity. During all these years Bombay has held the proud position of being the 'Gateway of India'. I shall be using a language of exaggeration when I say that the Port of Cochin when completed will be the 'Gateway of South India'. The sea coast of India is so long and extensive that there is not merely scope but there is necessity for more than one 'gateway'. In fact it has been a common criticism that this extensive coast of India has not a sufficient number of harbours in relation to its extent. The Port of Cochin will very soon supply this need. Competent critics have proclaimed that the Port of Cochin will probably be the most magnificent Harbour in India if not in the East. I have myself seen some of the great and beautiful harbours of the world and I can say with all confidence that Cochin will stand comparison

with some of the most beautiful of them. When the beauty and the grandeur of this Port are known to the world, the Port of Cochin may verily be called the "Queen of the Arabian Sea". We may confidently look forward in the very near future to the spectacle of the products of many lands and the people of different climates bringing their tribute at the gateway of this noble Queen. Such a development will not after all be a surprising phenomenon, for it should not be forgotten that in the early centuries of the Christian Era when India was known to the Western world as a land of untold wealth, when names like Bombay, Karachi and Madras were not yet known, it was the West Coast of the Indian Peninsula that had established contact with Europe and the coast of Africa through the enterprise and energy of its adventurous sailors, battling against the elements of the sea with their tiny crafts. History would probably repeat itself and it would be no wonder if once again this coast becomes the centre of attraction for the commerce of the world. Whatever might be in store for the future, it may confidently be asserted that, when fully developed, the Port of Cochin will be an asset of which not merely the citizens of Cochin but the people of India can be proud.

Mr. C. R. Iyyunni.—May I ask a few questions on the statement made by the Diwan President?

Mr. President.—No.